

GAO

Report to the Chairman and Ranking
Minority Member, Subcommittee on Civil
Service, Committee on Government
Reform and Oversight, House of
Representatives

July 1998

RESULTS ACT

Observations on the Office of Personnel Management's Annual Performance Plan





General Government Division

B-280255

July 28, 1998

The Honorable John L. Mica, Chairman
The Honorable Elijah E. Cummings
Ranking Minority Member
Subcommittee on Civil Service
Committee on Government Reform and Oversight
House of Representatives

As requested, this report presents our observations on the Office of Personnel Management's (OPM) annual performance plan for fiscal year 1999, which was submitted to Congress in February 1998. The Government Performance and Results Act of 1993 (the Results Act) requires executive agencies, beginning with fiscal year 1999, to develop annual performance plans covering each program activity set forth in the agencies' budgets. We assessed whether OPM's plan complies with the statutory requirements and congressional intent as contained in the Results Act and related guidance.

Our overall assessment of OPM's annual performance plan was generally based on our knowledge of OPM's operations and programs, our numerous reviews of OPM and federal workforce issues, and other existing information available at the time of our assessment. Specifically, we used the criteria in the Results Act; the Office of Management and Budget's (OMB) guidance on developing the plan (Circular A-11, part 2); our February 1998 guidance for congressional review of the plans (GAO/GGD/AIMD 10.1.18); our evaluator's guidance for assessing annual performance plans (GAO/GGD-10.1.20); and the December 17, 1997, letter to the OMB Director from several congressional leaders. We did our work between March and June 1998 in accordance with generally accepted government auditing standards. We obtained written comments on a draft of this report from the Director of the Office of Personnel Management. These comments are discussed at the end of this letter and are reprinted in appendix I.

Results in Brief

OPM's annual performance plan addresses the six program components required by the Results Act.¹ The plan has several performance goals and measures listed under each of its five strategic goals as identified in OPM's September 1997 strategic plan. Some of these goals and measures are

¹The Results Act specifies that agencies' performance plans should have these components: (1) performance goals; (2) an expression of the goals in an objective, quantifiable, and measurable form; (3) a description of the operational processes, skills, and technology and the human, capital, information, or other resources required; (4) performance indicators; (5) a basis for comparing actual program results with the performance goals; and (6) a description of the means used to verify and validate measured values.

objective and quantifiable, providing a way to judge whether the goal has been achieved. The plan also lays out, very well, a clear linkage between the fiscal year 1999 performance goals and OPM's mission and strategic goals and also between its goals and its specific program activities and related funding as presented in its 1999 budget.

The principal area in which the performance plan could be improved to better meet the purposes of the Results Act is in the statement of its goals. OPM's annual performance plan goals, like those in its strategic plan, tend to be process or activity goals (e.g., to complete a specified number of studies during 1999). The Results Act, in contrast, envisions a much greater emphasis on outcome goals that state what overall end result the agency will achieve, such as increasing the effectiveness of the federal civilian workforce. Congress sought this emphasis to help ensure that processes and activities that agencies undertake actually add up to a meaningful result that is commensurate with the resources expended. OPM's annual performance plan could also be improved by including more discussion on how its resources will be used to achieve its goals and adding a discussion of known data limitations that may affect the validity of various performance measures that OPM plans to use.

Background

OPM is the central management agency of the federal government charged with administering and enforcing federal civil service laws, regulations, and rules and aiding the President in carrying out his responsibilities for managing the federal workforce. OPM has policy responsibilities related to hiring, managing, compensating, and separating federal employees. Moreover, OPM endeavors to ensure compliance with civil service policies through a program of overseeing the personnel activities of covered federal agencies.

OPM helps federal program managers in their personnel responsibilities through a range of programs, such as training and performance management, designed to increase the effectiveness of federal employees. In addition to these responsibilities, OPM also promulgates regulations related to federal employee benefits, including retirement, health, and life insurance benefits. OPM directly administers all or major portions of these benefit programs, which serve millions of current and former federal employees.

Top OPM officials said they envision OPM as providing human resource management (HRM) leadership for the federal government. Through that

leadership, OPM officials say they intend to ensure that the merit principles that are the basis for the federal civil service system are followed throughout the government and that human resource management is effective.

The Results Act is intended to improve the efficiency and effectiveness of federal programs by establishing a system to set goals for program performance and to measure results. Specifically, the Act requires executive agencies to prepare multiyear strategic plans, annual performance plans, and annual performance reports. OPM and other agencies submitted their first cycle of agency multiyear strategic plans to OMB and Congress in September 1997. Like other agencies, OPM also submitted its first draft annual performance plan to OMB in the fall of 1997. The Results Act requires each performance plan to identify annual performance goals that cover all of the program activities in the agency's budget. OMB Circular A-11 specifies that the annual performance goals reflect the agency's strategic goals and mission. OMB used these draft performance plans to develop and submit the first federal governmentwide performance plan to Congress in February 1998 with the President's fiscal year 1999 budget. OPM and other agencies submitted their final performance plans to Congress after the submission of the President's budget.

OPM'S Plan Describes an Extensive Set of Activities Related to Its Strategic Goals, but the Result to Be Achieved Is Only Partially Clear

OPM's annual performance plan specifies quite clearly its goals—generally expressed as planned activities—for fiscal year 1998 and how those planned activities relate to the goals in its published strategic plan and to program activity accounts in its proposed fiscal year 1999 budget. OPM's plan specifies over 100 performance goals, with each OPM unit linking its planned activities and processes to OPM's five strategic goals and to program activities in its budget request. Consistent with congressional suggestions and OMB guidance, the plan also describes the means OPM intends to use to validate performance and discusses its coordination with other agencies on crosscutting activities. In this sense, the annual performance plan provides a picture of OPM's intended performance.

However, this picture is incomplete because the annual performance plan often does not give a sense of how those activities will help OPM achieve a desired end result. Rather, OPM's performance plan often would enable policymakers to determine whether OPM has completed a set of actions, but not whether those actions made any difference in such things as the management of the federal workforce or whether the actions would cause

that workforce to be more or less able to effectively and efficiently carry out its responsibilities.

Defining Expected Performance

The performance goals in OPM's plan are generally measurable and linked to the agency's strategic goals and objectives; however, they are typically more activity- or output-oriented rather than results-oriented as envisioned by the Results Act. The lack of a results focus likely would impede policymakers in determining whether OPM's efforts have "made a difference" in how well the federal government's human resources are actually managed.

Generally, OPM's performance goals are expressed as activities to be completed or results to be achieved by the end of fiscal year 1999. For example, OPM's Employment Service says that in fiscal year 1999, it will complete a review of all governmentwide policies and programs that are its responsibility, and OPM's Workforce Compensation and Performance Service says it will lead a study of allowances, differentials, premium pay, and hours of duty as part of a 3-year comprehensive review of governmentwide compensation policies and programs. Both of these performance goals, like many others, commit OPM to undertake or complete a specific piece of work in fiscal year 1999 and thus, in a literal sense, define a minimal level of expected performance.

OPM officials acknowledged that many of the annual performance goals are activity- or process-oriented, but said that, particularly with respect to policy development and implementation, successful accomplishment of several of its performance goals will require a sequence of steps from policy analysis and development through policy implementation to policy evaluation. In many cases, this sequence of steps will extend over several years. Consequently, OPM officials said it is impractical to specify a results-oriented goal in any year until the sequence of steps is complete and changes in policy have been made and implemented so that the new policies can actually effect a change in agencies' practices. OPM officials also noted that this circumstance is recognized in OMB's guidance on annual performance plans, which notes that outcome goals may only be achieved at certain points during the lifespan of a strategic plan and requires that an annual plan include outcome goals when their achievement is scheduled for the fiscal year covered by the annual performance plan.

The OPM officials' observations highlight that results-oriented annual performance goals can be difficult to set on an annual basis in certain circumstances. However, a key intent of the Results Act was that agencies should focus their planning on what they are intending to achieve, the result that they are provided resources to accomplish, rather than on traditional measures of output like activities undertaken. We have previously reported that OPM's strategic plan goals do not provide a sense of the results OPM expects to achieve or how they might be measured.² If neither the strategic goals nor the annual performance goals are results-oriented, policymakers likely will have an inadequate basis on which to judge whether agencies are making meaningful progress toward an overall desired outcome.

OPM officials also told us that they were obligated to develop an annual performance plan that presented annual performance goals that would carry out their existing strategic plan's goals. Although the officials did not necessarily agree that the OPM strategic goals were inadequately results-oriented, they said that their annual performance goals could not be inconsistent with the strategic plan.

OMB guidance does advise agencies that their annual performance plans should be specifically linked to their strategic plans and that, for example, performance goals and indicators in the annual plan should be based on the general goals and objectives in the agency's strategic plan. Accordingly, OPM may have been somewhat constrained in developing annual goals that were results-oriented given that, in our judgment, the strategic goals did not give a clear sense of the results OPM was intending to achieve. Other agencies have recognized that their strategic plans did not communicate their desired results adequately and have initiated efforts to revise those plans. For example, the Department of Labor has consolidated the six strategic goals outlined in its September 1997 strategic plan into the three strategic goals contained in its annual performance plan. According to Labor, this revision fosters greater cohesion within the Department and also responds to concerns raised by external reviewers that the agency's strategic plan did not adequately reflect the integration and crosscutting nature of Labor's programs.

A results-oriented goal in OPM's annual performance plan illustrates how such goals can provide a better basis for OPM, Congress, and the public to determine if the agency is achieving the intended impact or results with

²The Results Act: Observations on OPM's May 1997 Draft Strategic Plan (GAO/GGD-97-150R, July 11, 1997).

the resources that it is provided. OPM's Employment Service has a goal that states, in part, that agency-delegated examining units (offices within agencies that assess whether job applicants meet the requirements of jobs being advertised) "will [be] operated according to merit principles." This is directly related to OPM's mission of ensuring that merit system requirements are followed in federal human resources management. This results-oriented goal is included even though the rest of the goal stresses activities to be undertaken, that is, to complete the first 3-year cycle of recertification for all delegated examining units by the end of fiscal year 1999. However, the results-oriented goal provides a framework for OPM and Congress to use to determine whether the activities lead to an improved result. That is, OPM and Congress can track the number of instances in which delegated examining units do or do not operate in accordance with the merit principles specified in statute.

This example also shows that even if a results-oriented annual performance goal cannot be set in any given year, tracking data related to a desired result or outcome can nevertheless occur and be useful. Measures that track yearly results can be useful in establishing a baseline performance level to use in establishing future results-oriented performance goals and in determining whether specific activities are moving the agency closer to the desired end result. OPM's plan has some measures that are related to achieving results. For example, the Office of Merit Systems Oversight and Effectiveness (OMSOE) has a fiscal year 1999 goal to promote the growth of merit principle awareness and understanding governmentwide. OPM has statutory responsibility for overseeing compliance with the merit principles specified in title 5 of the U.S. Code. One measure, or target, for OMSOE's performance goal is an increase from 39 to 41 percent in the proportion of employees who say they know what the merit system principles and prohibited personnel practices are as measured by an employee survey.

OPM's annual performance plan could be more useful if additional results-oriented performance measures were identified. For example, the Employment Service's performance goal of reviewing all governmentwide human resource management policies and programs during fiscal year 1999 is in support of OPM's strategic goal of providing leadership to recruit and retain the federal workforce required for the 21st century. Policymakers could reasonably expect OPM to define the characteristics of the workforce that is needed—in essence, the result being sought in part through the improved human resource management policies OPM hopes to develop—and to track the extent to which the federal government is being

more or less successful in recruiting and retaining that workforce. OPM has no such measure in its fiscal year 1999 annual performance plan and had not proposed such a measure in its strategic plan.

OPM's annual performance plan also does not appear to have cost-based performance measures, as intended by Congress and encouraged in OMB guidance, that would show how efficiently it performed certain business-like operations (e.g., the administration of health and retirement programs). Relevant measures might include the cost of doing business per unit of output, such as the cost to process civil service retirement payments made either by electronic funds transfer or check. Cost-based efficiency measures could be useful to managers as they attempt to improve their operations. Such measures could serve as benchmarks for determining whether private firms might be able to perform certain services more cost-effectively than OPM can with federal civilian employees. If such cost-based measures were developed, however, it would be important for OPM's salaries and expenses and revolving funds to have accurate financial and cost data. The reliability of these data is not currently determinable since OPM's Inspector General (IG) has been unable to express an unqualified opinion on these funds' financial statements because of inadequate or nonexistent internal controls and standard accounting policies, procedures, and records.

Connecting Mission, Goals, and Activities

OPM's annual performance plan clearly connects its performance goals to the agency's mission, strategic goals, and program activities in its fiscal year 1999 budget request. For nearly all of its program activities, OPM's plan lists strategic and annual goals. The plan also provides the total budgetary resources proposed for the program activity and a breakdown of how much of the program activity will be used for each of OPM's five strategic goals. For example, OPM's fiscal year 1999 annual goal to assist agencies to raise the levels of underrepresented groups in key federal occupations and at key grade levels by 2 percent over fiscal year 1998 levels supports OPM's strategic goal to provide policy direction and leadership to recruit and retain the federal workforce required for the 21st century and is 1 of 11 major performance goals expected to use almost \$12 million from the Employment Service program activity.

The portions of OPM's plan that provide fiscal year 1999 budgetary information for its mandatory spending program activities related to federal health, life, and retirement programs do not include annual performance goals and do not show linkage to OPM's strategic goals.

Although goals and linkages are not included in these specific portions of the plan, OPM does have annual performance goals related to these activities listed under the Transfers from Trust Funds section of the Salaries and Expenses Account portion of its plan. OPM officials believe that it is more appropriate to discuss the goals and linkages in the Transfers section because this is the budgetary account that funds the activities that are expected to achieve OPM's goals. For example, OPM set a goal to maintain, at fiscal year 1998 levels, customer satisfaction, processing times, and accuracy rates pertinent to processing new claims for annuity and survivor benefits and shows baseline data on processing these claims. OPM also set a goal to develop a proposal, expected to be completed in fiscal year 1998, to implement the design, financing, and service delivery of federal earned benefits recommended by its benefits vision study. Providing a reference to these goals in the relevant presentation of the mandatory spending program activities would be a useful guide to quickly steer users of the plan to goals and measures associated with these program activities.

OPM's specific goals related to its information technology (IT) program are also linked to its strategic goals. This is a useful linkage that is consistent with recent legislation that emphasizes that IT investments should be made in direct support of the mission-related activities of agencies.³ In addition, OPM's performance plan includes goals for dealing with Clinger-Cohen Act requirements, Year 2000 computer conversion efforts, and information security; specifies the means for achieving the goals; and includes performance indicators for measuring results. Given the importance of these issues, their focused presentation in the annual performance plan appears to be appropriate. OPM could further strengthen its performance indicators by including information on (1) how it plans to deal with its other systems that may not be mission-critical but may have some impact on its operations in 2000, and (2) contingency plans in place in the event that Year 2000 corrections are not successful or systems fail to operate.

Recognizing Crosscutting Efforts

OPM's performance plan partially addresses the need to coordinate with other agencies and individuals having an interest in OPM's mission and services. As a central management agency, OPM must work with or through

³The Paperwork Reduction Act of 1995 is the overarching statute dealing with the acquisition and management of information resources—including information technology—by federal agencies. It emphasizes that agencies need to acquire and apply resources to effectively support the accomplishment of agency missions and the delivery of services to the public. The Clinger-Cohen Act of 1996 repeats this theme and elaborates on requirements for agencies to follow when acquiring information technology.

other federal agencies to ensure that federal personnel policies are appropriate and are followed properly. Thus, OPM's core responsibilities do, in some sense, cut across a large portion of the federal government. OPM's performance goals reflect the crosscutting nature of its activities. In many cases, the plan discusses OPM's planned efforts to coordinate its crosscutting functions with the federal community. These discussions are consistent with Results Act requirements.

However, in some cases, a more explicit discussion of OPM's intended coordination with other agencies would be helpful. For example, OPM has a performance goal to seek improvement in adjudicatory processes that address conflicts in the workplace and to work to make them more understandable, timely, and less costly. The means, or strategy, OPM proposes to achieve this goal implicitly recognizes that OPM has limited authority to set or influence policy regarding adjudicatory processes. It states that OPM will "promote and provide active participation in response to governmentwide efforts to improve the adjudicatory process." Meaningful participation by OPM would require ongoing coordination with the adjudicatory agencies, such as the Equal Employment Opportunity Commission and the Merit Systems Protection Board, but such coordination is not discussed in the plan. OPM's relationship with the adjudicatory agencies and its approach to coordination could be described more fully to portray the status of OPM's involvement in this issue and the extent to which it intends to participate in interagency efforts to improve the adjudicatory process.

OPM'S Performance Plan Could More Fully Discuss How the Agency's Strategies and Resources Will Help Achieve Its Goals

OPM's performance plan could more fully discuss the strategies and resources the agency will use to achieve its performance goals. Because many of OPM's annual performance goals are not results-oriented, it would be difficult for policymakers to judge from the plan, itself, how the strategies associated with these performance goals would add up to achieving a significant result related to OPM's mission.

Nevertheless, the plan specifies strategies for achieving each of its performance goals. But in many cases, the plan does not provide a rationale for how the strategy will contribute to accomplishing the expected level of performance. OPM's performance plan could also be enhanced by discussing external factors that could significantly affect performance.

Connecting Strategies to Results

We found that OPM's strategies are connected to its performance goals, but because many of the performance goals are not results-oriented, it is unclear how the strategies will contribute to achieving an intended result related to OPM's mission. For example, OPM's performance goal to improve recognition of OPM as a leading source for effective, efficient technical assistance in a broad range of employment programs does not readily indicate what result this would help OPM to achieve. Consequently, it is also difficult to determine whether its corresponding strategy to monitor current and emerging issues, trends, and stakeholder interests will contribute to achieving a results-oriented change, such as improving the effectiveness of federal employees.

In other cases, it was unclear how a strategy related to its associated performance goal. For example, OPM has a goal to complete a plan for central personnel data file (CPDF) modernization in fiscal year 1999 in coordination with the Human Resources Technology Council. That performance goal has an associated strategy to "use electronic media to collect and disseminate information widely and cost-effectively." While this strategy may be useful for improving the collection and dissemination of CPDF information, it is not clear how this strategy is related to getting the CPDF modernization plan, itself, done.

OPM's plan discusses the actions it plans to take to use information technology and capital investments to improve performance and help achieve performance goals in terms of (1) reducing costs, (2) increasing productivity, (3) decreasing cycle or processing time, (4) improving service quality, and (5) increasing customer satisfaction. For example, OPM has established a goal placing responsibility with its Chief Information Officer for providing independent oversight of major OPM information technology initiatives and investments to ensure that OPM's core functions can meet their business goals and objectives through the prudent application of technology and improved use of IT through the implementation of the requirements of the Clinger-Cohen Act. OPM also plans to

- oversee major IT initiatives, including modernization of the retirement program's service delivery systems and the earned benefit financial systems, modernization of the CPDF system, and development and integration of OPM's employment information systems;
- implement a sound and integrated IT architecture;
- manage OPM's IT capital planning and investment control process and implement a performance-based IT management system; and

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- implement an agencywide systems development life-cycle methodology and train staff in its use to support OPM's achievement of Software Engineering Institute Capability Maturity Model level 3 for systems development.

One area that is unclear from OPM's discussion in its plan for the Clinger-Cohen Act implementation is whether or not OPM has or plans to establish a separate Investment Review Board to ensure that senior executives are involved in information management decisions. The Clinger-Cohen Act calls for agencies to establish such boards to help improve performance and meet strategic goals. Although not stated in the plan, OPM officials have told us they plan to establish an Investment Review Board.

In its September 1997 strategic plan, OPM identified several external factors that could affect achievement of its goals and objectives, which it organized by the following categories: (1) governmentwide issues, (2) relationships with other federal agencies, and (3) the personnel community. OPM's performance plan does not explicitly discuss these factors or their impact on achieving the performance goals. While not required by the Results Act, we believe that a discussion of these external factors would provide additional context regarding anticipated performance. For example, several large agencies recently have been granted, or are seeking to be granted, wide flexibility to deviate from standard provisions of title 5 of the U.S. Code. These include the Internal Revenue Service, the Federal Aviation Administration, and the Department of Defense (civilian workforce). Although these changes could significantly affect OPM's role as the central personnel agency, the plan has little discussion of how such changes were taken into account in setting performance goals.

Connecting Resources to Strategies

OPM's performance plan partially discusses the resources it will use to achieve the performance goals. OPM's plan does not consistently describe the capital, human, information, and other resources the agency will use to achieve its performance goals. For example, the plan explains that OPM will spend approximately \$2.6 million in fiscal year 1999 on implementing an action plan to develop a governmentwide electronic personnel recordkeeping system that will support its goal of helping the Human Resources Technology Council design an electronic official personnel folder to replace paper records. In contrast, the plan generally does not

mention specific training or workforce skills that will be needed to achieve OPM's performance goals.

OPM's Performance Plan Could Better Provide Confidence That the Agency's Performance Information Will Be Credible

We found that OPM's performance plan could better provide confidence that its performance information will be credible. OPM's annual performance plan material for each program activity includes a verification and validation section. The material in those sections generally describes various assessments and measures that OPM intends to use in gauging progress toward the performance goals and how they will be audited, benchmarked, and validated. These sections sometimes do not provide a clear view of the current problems OPM faces with data verification and validation. We also found that the plan does not discuss or identify any significant data limitations and their implications for assessing the achievement of performance goals.

Verifying and Validating Performance

OPM's performance plan partially discusses how the agency will ensure that its performance information is sufficiently complete, accurate, and consistent. Specifically, the plan highlights the importance of having credible data and generally meets the intent of the Results Act by identifying actions that OPM believes will identify data problems. These actions include audits of its financial statements by an independent accounting firm. The plan also includes specific actions or goals that could contribute to improved reliability of data, such as installing a new financial management system. However, it does not include plans for audits of nonfinancial data, which were one technique for ensuring data integrity as envisioned by Congress.

Although the performance plan provides proposed indicators for each performance goal, it is not clear that data exist for all of the indicators or that the specific data OPM proposes to use would be a valid measure for assessing progress toward achieving its associated performance goal. For instance, for its goal of supporting OPM leadership of the Human Resources Technology Council, OMSOE proposes to use as an indicator "improved HRM operations as measured by 10-year efficiency and quality indicators, e.g., improved ratios of personnel operations staff to employees covered." However, the plan does not indicate what data OPM would use to measure the quality of HRM operations. Further, the proposed efficiency measure, the ratio of personnelists to other employees, while a potentially useful measure, can be imprecise when agencies have staff performing

personnel-related duties who are not specifically in job classifications normally considered to be “personnelist” occupations.

Recognizing Data Limitations

OPM’s performance plan does not discuss a number of known data limitations that may affect the validity of many performance measures OPM plans to use. OPM lacks the timely, accurate, and reliable program data needed to effectively manage and oversee some of its various activities and programs. For example, OPM’s December 1997 report on the agency’s management controls required by the Federal Managers’ Financial Integrity Act noted that there are a number of key areas where controls and reconciliations are either weak or not implemented. This report noted that OPM does not have an effective system in place to ensure the accuracy of claims paid by experience-rated carriers participating in the Federal Employees Health Benefits Program (FEHBP). The report also noted that a significant opportunity exists for fraudulent claims to persist undetected owing to the lengthy audit cycle of FEHBP carriers, which was 15 years in 1992—longer than the requirement for carriers to retain auditable records (3 to 5 years).

Similarly, in his October 31, 1997, semiannual report to Congress, OPM’s Inspector General expressed concern with the infrequency of IG audits of FEHBP insurance carriers and with the consolidation of unaudited data from experience-rated carriers with agency data, which contributed to the disclaimer of opinion on OPM’s health benefit program financial statements. The annual performance plan section on the Inspector General’s Office requests five additional staff to meet the goal of a shorter audit cycle. OPM’s plan states that in addition to providing increased FEHBP oversight, reducing the audit cycle to 5 years would result in considerable financial recoveries.

Finally, the independent audit of OPM’s 1996 and 1997 financial statements noted internal control weaknesses in a number of areas for OPM’s retirement, health benefits, and life insurance programs. For example, OPM has prescribed minimum records, documentation, and reconciliation requirements to the employer agencies, but it does not monitor the effectiveness of employer agencies’ controls or their degree of compliance with controls. As a result, OPM does not have a basis for relying on other agencies’ internal controls as they relate to contributions recorded in its accounting records and other data received, which support amounts recorded in the financial statements.

The independent accountant also noted in the 1997 report that OPM's financial management system does not support all program decisionmaking because the system does not produce cost reports or other types of reports at meaningful levels. Despite such evidence that suggests that internal controls over data reliability are still a major problem area, the performance plan deals with these problems only on a very broad level in those portions of the plan that alert readers to the limitations associated with data that OPM intends to use to gauge its performance against planned goals. Although OPM's fiscal year 1997 retirement and life insurance program financial statements received unqualified opinions, the independent auditor disclaimed an opinion on the health benefits program financial statements for reasons related to inadequate controls. At a minimum, it would have been helpful if the plan had an explicit discussion of specific current program performance data problems and how OPM plans to address them.

Agency Comments and Our Evaluation

We provided OPM with copies of a draft of our observations on its annual performance plan. On April 10, 1998, we met with OPM's Chief of Staff and other officials to discuss the draft. In an April 13, 1998, letter, the OPM Director raised a number of concerns about the draft observations, which we addressed in a revised draft. In an April 30, 1998, letter, the OPM Director provided written comments on the revised draft (see app. I). OPM said that it found the meeting with us to be particularly helpful as OPM further develops and refines its plan—which OPM views as an evolutionary process that will enable it to continually improve and articulate its focus on improving federal human resource management. OPM also said that it was especially pleased to see that the revised draft included changes on some of the points discussed in the meeting.

OPM also said that the revised draft contains an inappropriate “imbalance in its overall negative tone,” which may lead readers to conclude that the OPM plan is substantially weaker than it is strong. OPM described our discussions of the plan's weaknesses as “lengthy” and said that they overwhelm our “relatively short” statements regarding the plan's strengths.

We agree that the Results Act planning process is evolutionary and assessed OPM's annual performance plan from the standpoint of how well it can, as currently written, assist Congress and OPM as they work to realize the potential of a results-focused planning process. We believe that our assessment recognizes strengths in OPM's annual performance plan while also providing a sufficiently in-depth discussion to adequately describe

areas in which further improvement is warranted. Thus, it was not our intention to create an unduly negative tone, and we have made changes to avoid such an impression.

OPM made additional comments that, for example, provided an explanation of its intentions in developing its annual performance plan and suggested additional context concerning some of our observations. We made changes where appropriate to reflect these comments. Appendix I includes OPM's letter and our additional comments.

We are sending copies of this report to the Chairmen and Ranking Minority Members of interested congressional committees; the Director, Office of Personnel Management; and other interested parties. Upon request, we will also make copies available to others. Major contributors to this report are listed in appendix II. Please contact me on (202) 512-8676 if you or your staff have any questions concerning this report.



Michael Brostek
Associate Director, Federal Management
and Workforce Issues

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Abbreviations

CPDF	Central Personnel Data File
FEHBP	Federal Employees Health Benefits Program
HRM	Human resource management
IG	Inspector General
IT	Information technology
OMB	Office of Management and Budget
OMSOE	Office of Merit Systems Oversight and Effectiveness
OPM	Office of Personnel Management

Comments From the Office of Personnel Management



UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, D.C. 20415

OFFICE OF THE DIRECTOR

April 30, 1998

Mr. Michael Brostek
Associate Director, Federal Management
and Workforce Issues
General Accounting Office
Washington, DC 20548

Dear Mr. Brostek:

Thank you for the opportunity to comment on the revised GAO draft report, *Observations on the Office of Personnel Management's (OPM) Annual Performance Plan*. To reiterate from my earlier letter of comment dated April 13, 1998, we are pleased that GAO has determined that our annual performance plan for FY 1999 is in full compliance with the requirements of the Government Performance and Results Act.

I want to again thank you and your staff for meeting with my staff on Friday, April 10, 1998, to discuss the initial draft report in more detail. We have found our meetings with GAO to be particularly helpful as we further develop and refine our plan. We view this process as evolutionary; one that will enable us to continually improve and articulate our focus on improving Federal human resource management. As such, let me once again assure you that we are committed to working productively with GAO to achieve the best possible final product. We were also pleased to see that our meetings have helped to produce a better understanding on GAO's part of the direction we are taking as we strive to meet our strategic goals. We were especially pleased to see that the revised draft report does include changes that reflect an appreciation of some of the points we were able to convey in that meeting. Some of the changes, such as the example now given of the results oriented goals that are included in our plan, establish a more positive context than the earlier draft had. However, the revised draft report continues to characterize the performance plan quite negatively, and that characterization fails to match the conclusions shared by your staff in their meeting with OPM staff.

As we observed earlier, many of our concerns about the comments in both versions of your draft report reflect the fact that several ostensible deficiencies GAO cites in the OPM annual performance plan seem to have their roots in a continuing disagreement over the appropriateness of OPM's Strategic Plan for FY 1997-FY 2002, *Federal Human Resources Management for the 21st Century*, and its component strategic goals, objectives, and measures. We were required by law to develop an annual performance plan that presented annual performance goals for the FY 1999 processes, outputs, and outcomes that we determined to be necessary to achieve that strategic plan's goals and outcomes.

The revised draft report retains an unfortunate—and, we believe, inappropriate—imbalance in its overall negative tone. The GAO comments shared in the April 10 meeting established a sense among the OPM staff in attendance that you and your staff thought the deficiencies in our annual performance report were balanced by some significant strengths, particularly in the clarity we achieved in establishing linkages among our strategic plan, the annual performance plan, and resources. Such a balanced view is not to be found in the revised draft report, however. To be sure, the text of the revised draft report does include sentences that clearly acknowledge our success in meeting some requirement or expectation of the Results Act. However, these relatively short statements tend to be

See comment 1.

**Appendix I
Comments From the Office of Personnel
Management**

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overwhelmed by lengthy discussions of what -- in GAO's view at least -- are the plan's weaker areas. And in one case, a commendatory paragraph from page 7 of the initial draft report that described our rigorous laying out of goals, strategies, indicators, and related resources was dropped completely. Your intent may have been to be clear and instructive about where we could improve. We are concerned, however, that a reader will conclude, inappropriately, that the OPM plan is substantially weaker than it is strong. Moreover, we believe readers of these GAO reviews would find it potentially more useful to be given fuller descriptions of the effective aspects of agency performance plans.

See comment 2.

With respect to the issue of the method OPM used to establish and communicate relevant annual performance goals for the retirement and insurance program, the revised draft report now properly acknowledges that our performance plan does indeed contain a considerable number of such goals. We continue to believe that the Transfers from the Trust Funds section of the Salaries and Expenses Account portion of our integrated Congressional Budget Justification/Annual Performance Plan is the proper location for those goals because the service delivery goals both from the strategic plan and in this performance plan are properly linked to the program administration resources and activities described there. Your report implies that in this regard, OPM's performance plan is not consistent with our strategic plan and is, consequently, deficient. We do not agree and believe strongly that the performance plan is entirely consistent with our strategic plan. Nevertheless, to preclude any similar confusion in the future, OPM's annual performance plans for FY 2000 and beyond will include appropriate statements that direct readers to the Transfers from the Trust Funds section for goals that would pertain to the mandatory spending program activities.

Now on p. 13.

We also want to bring to your attention that, beginning on page 16, and continuing on page 17 of the revised draft report, you refer to language in our December 1997 FMFIA assurance noting that we do not have "an effective system in place to ensure the accuracy of claims paid by experienced-rated carriers participating in the Health Benefits Program." You then associate this to the length of the Inspector General's audit cycle of these health carriers. While you later acknowledge OPM's request for five additional IG staff to shorten the audit cycle, you do not make the connection that these additional five staff will help us meet this management challenge (it is worth mentioning here that added staff is only one piece of OPM's strategy for dealing with the matter of claims accuracy on the part of experience-rated carriers, as reflected in the plan).

See comment 3.

Also, you refer to other internal and management control weaknesses in the earned benefit programs and state that the Plan "deals with these problems only on a very broad level." We disagree with this assessment because the Plan, in fact, contains five specific annual performance goals in the Transfers from Trust Funds section (RIS Goals 4 through 8) and an additional two such goals in the Office of the Inspector General section (OIG goals 1 and 4) that deal specifically with these problems. More importantly, it strikes us that the plan will never be the complete statement of how objectives will be met. While descriptions of how OPM approaches a matter may be subjectively judged overly broad, the fact is that OPM has made a commitment to overcome a problem, solve an issue, or otherwise deal with an important matter affecting the Government's Human Resource Management Program. If the reader wants more information, the agency will provide it. The plan lays out the commitment and the agency is ready to be judged on the basis of whether or not it succeeded in delivering on the commitment it has made.

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Further, your draft report does not acknowledge that, despite the known challenges we face in our financial systems, the FY 1997 financial statements for the Retirement and Life Insurance Programs received "unqualified" opinions from the independent auditor.

See comment 1.

We found one amendment on page 5 in the revised draft report to be particularly troublesome and confusing. The draft report and some of our discussions had focused on the relationship between goals stated for FY 1999 and an overall intended result that the strategic plan describes. We had made the point in our meeting that particularly with respect to policy development and implementation, successful accomplishment of a policy goal will require a sequence of steps from policy analysis and development through policy implementation to policy evaluation. Both the initial and revised draft reports, commenting about some of the FY 1999 annual performance goals and indicators for such policy activity (where the performance plan's strategies described working with stakeholders to review existing policies and identify needed changes), state that "these measures do not show what increment of progress toward an overall result will be made in fiscal year 1999." Our April 10 staff discussions established that OPM's planned policy review and stakeholder involvement were not what GAO meant by an "increment of progress." At the end of that paragraph, the revised draft report on page 5 has added the following: "Since these policies are only to be developed in fiscal year 1999, their effect would not be measurable until later." That addition correctly reflects the point OPM staff tried to make in our meeting with you and your staff. We take the new sentence to mean that GAO agrees that FY 1999 performance goals could not sensibly include measures of the effect of a policy change only as yet under consideration. We are puzzled, then, that the paragraph continues to criticize OPM for not doing what its own final sentence acknowledges is not possible.

See comment 4.

We also wanted to bring to your attention a statement on page 7 referring to the funding of our goal to assist agencies raise the levels of underrepresented groups in the Federal Government. Your draft cites this goal as one of "several" other performance goals using almost \$12 million from the Employment Service program activity. In the interest of both accuracy and context, it should be noted that this is one of *eleven* other *major* performance goals in this activity.

See comment 5.

Finally, the draft states on page 14 that our performance plan does not mention specific training or workforce skills that will be needed to achieve our performance goals. To the contrary, OPM has a major initiative underway to ensure that gaps in core competencies are addressed (see page 129). We believe that readers will recognize that any such gaps were skills needed to achieve our goals.

We appreciated the time you and your staff spent with us. As we acknowledged then, our implementation of the Results Act has afforded us significant learning opportunities. We approach each implementation task with a strong commitment to continuous improvement. To that end, we take your comments and suggestions very seriously. If you have further questions or concerns about our FY 1999 annual performance plan or these comments, please contact Rick Lowe at 202-606-1000.

Sincerely,


Janice R. Lachance
Director

The following are GAO's comments on the Office of Personnel Management's letter dated April 30, 1998.

GAO Comments

1. OPM stated that in several cases where we suggested its annual performance plan could be improved, the underlying problem seemed to be a continuing disagreement between us and OPM on the strategic goals, objectives, and measures included in its Results Act strategic plan. OPM further said it was required by law to develop an annual performance plan that presented annual performance goals for fiscal year 1999 that it determined to be necessary to achieve that strategic plan's goals and outcomes. In a previous analysis of OPM's strategic plan, we did find that the goals in OPM's strategic plan tended to be process or activity goals as opposed to results-oriented goals. This may contribute to the annual plan goals' also focusing on processes or activities, which is one of the key areas in which we believe the annual performance plan could be improved. Nevertheless, even with a set of strategic goals that are process- or activity-focused, annual performance goals can to some extent be results-oriented. This is demonstrated in part by OPM's performance plan itself, which does include some results-oriented goals. Further, even when actual results-oriented goals are not established, identifying and tracking results-oriented performance measures can be useful to establish performance baselines and to lead to more informed goal-setting in the future. We have revised the report to make these points more clearly.

In addition, although the Results Act requires that strategic plans be updated at least every 3 years, it does not prohibit more frequent revisions. More frequent revisions might be appropriate in these early years of implementing the Act as all parties gain experience with the challenges and benefits of results-oriented planning. At least two agencies began revising their strategic plans even as they were developing their first annual performance plans. Thus, if OPM believes that its current strategic plan inhibits its ability to achieve a results orientation in its annual performance plans, it could reconsider its strategic plan.

2. OPM said that it continues to believe that the Transfers from the Trust Funds section of the Salaries and Expenses Account portion of its performance plan is the proper location for its annual performance goals for its mandatory spending program activities related to federal, health, life, and retirement programs. Nevertheless, OPM said that its annual performance plans for fiscal year 2000 and beyond will include appropriate statements that direct readers to the Transfers and Trust

Funds section for goals that would pertain to the mandatory spending program activities. We agree that providing a reference to the relevant goals in OPM's presentation of its mandatory spending accounts would appropriately guide users of the plan to the goals and measures associated with the accounts.

OPM also stated that our report implies that, because of the method OPM used to establish and communicate relevant annual performance goals for its mandatory spending program activities, OPM's performance plan is not consistent with its strategic plan and is, consequently, deficient. It was not our intention to imply that OPM's plan was inconsistent with its strategic plan. We have revised the appropriate section of the report to more accurately reflect our observations.

3. OPM also disagreed with our assessment that its performance plan deals with certain internal and management control weaknesses in the earned benefits programs only on a very broad level. OPM said that its plan contains five specific annual performance goals in the Transfers from Trust Funds section and an additional two such goals in the Office of Inspector General section that deal specifically with these problems. More importantly than how broad its description of how it approaches a matter, according to OPM, is the fact that OPM has made a commitment to overcome a problem, solve an issue, or otherwise deal with an important matter affecting the government's Human Resource Management Program.

We think it is commendable that OPM is committed to overcoming its internal control problems. However, our comment about OPM's dealing with these problems only on a very broad level was made in the context of pointing out that these internal control problems affect the reliability of the performance measures OPM proposes to use to gauge progress toward achieving its goals. Our report, Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decision Making (GAO/GGD/AIMD-10.1.18, p. 23) states that explaining the limitations of performance information can provide Congress with a context for understanding and assessing agencies' performance and the costs and challenges agencies face in gathering, processing, and analyzing needed data. Thus, we believe a more specific discussion of internal control problems and their effect on data limitations would be desirable. We made clarifying changes to the report on this matter.

4. OPM expressed concern that we cited one of its performance goals as one of "several" other performance goals using almost \$12 million from the

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Employment Service program activity rather than state that the particular performance goal is 1 of “11” major performance goals in the program activity. We have revised the report to reflect this fact.

5. In reference to our statement that OPM’s plan does not mention specific training or workforce skills that will be needed to achieve its performance goals, OPM referenced the statement in its plan that states that OPM has a major initiative underway to ensure that gaps in core competencies are addressed. Our position on this issue remains unchanged since OPM’s plan does not specify the training or skills needed nor does it link these needs to specific performance goals. This information is needed for policymakers to make informed judgments concerning whether OPM’s staffing will in fact be adequate to successfully execute its plan.

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